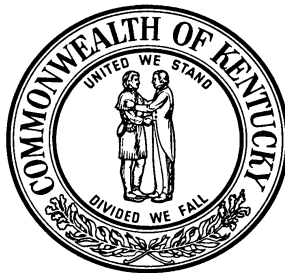


**REPORT OF THE AUDIT OF THE  
CARLISLE COUNTY  
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period  
October 1, 2008 Through April 24, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
CARLISLE COUNTY  
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period  
October 1, 2008 Through April 24, 2009**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for the Carlisle County Sheriff for the period October 1, 2008 through April 24, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$1,333,037 for the districts for 2008 taxes, retaining commissions of \$55,409 to operate the Sheriff's office. The Sheriff distributed taxes of \$1,264,420 to the districts for 2008 taxes. Taxes of \$13,505 are due to the districts from the Sheriff and refunds of \$297 are due to the Sheriff from the taxing districts.

**Report Comments:**

- 2008-01 The Carlisle County Sheriff Has A \$3,534 Deficit In The Tax Account
- 2008-02 The Carlisle County Sheriff Should Make Deposits On A Timely Basis
- 2008-03 The Carlisle County Sheriff Should Invest All Tax Collection Into An Interest Bearing Account And Distribute The Interest Earned On A Monthly Basis
- 2008-04 The Carlisle County Sheriff Should Follow The Tax Collection Schedule As Set By The Department Of Revenue
- 2008-05 The Carlisle County Sheriff Should Prepare Monthly Franchise Tax Reports And Distribute Franchise Tax Collections By The 10<sup>th</sup> Day Following The Month Of Collection
- 2008-06 The Carlisle County Sheriff's Office Has A Lack Of Adequate Segregation Of Duties
- 2008-07 The Carlisle County Sheriff Should Strengthen Internal Control Over Financial Reporting

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Greg Terry, Carlisle County Judge/Executive

Honorable Steve McChristian, Carlisle County Sheriff

Members of the Carlisle County Fiscal Court

Independent Auditor's Report

We have audited the Carlisle County Sheriff's Settlement - 2008 Taxes for the period October 1, 2008 through April 24, 2009. This tax settlement is the responsibility of the Carlisle County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Carlisle County Sheriff's taxes charged, credited, and paid for the period October 1, 2008 through April 24, 2009, in conformity with the modified cash basis of accounting.

Our audit was made for the purpose of forming an opinion on the financial statement taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Greg Terry, Carlisle County Judge/Executive  
Honorable Steve McChristian, Carlisle County Sheriff  
Members of the Carlisle County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2010 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2008-01 The Carlisle County Sheriff Has A \$3,534 Deficit In The Tax Account
- 2008-02 The Carlisle County Sheriff Should Make Deposits On A Timely Basis
- 2008-03 The Carlisle County Sheriff Should Invest All Tax Collection Into An Interest Bearing Account And Distribute The Interest Earned On A Monthly Basis
- 2008-04 The Carlisle County Sheriff Should Follow The Tax Collection Schedule As Set By The Department Of Revenue
- 2008-05 The Carlisle County Sheriff Should Prepare Monthly Franchise Tax Reports And Distribute Franchise Tax Collections By The 10<sup>th</sup> Day Following The Month Of Collection
- 2008-06 The Carlisle County Sheriff's Office Has A Lack Of Adequate Segregation Of Duties
- 2008-07 The Carlisle County Sheriff Should Strengthen Internal Control Over Financial Reporting

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

April 15, 2010



CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period October 1, 2008 Through April 24, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 196,949	\$ 254,869	\$ 523,398	\$ 164,573
Tangible Personal Property	13,418	15,780	35,659	28,793
Fire Protection	838			
Franchise Taxes	31,618	39,695	84,045	
Clay Taxes	106	132	281	88
Penalties	1,925	2,072	4,397	1,383
Adjusted to Sheriff's Receipt	(555)	(683)	(1,457)	(459)
Gross Chargeable to Sheriff	244,299	311,865	646,323	194,378
<u>Credits</u>				
Exonerations	2,761	3,672	7,337	2,307
Discounts	3,390	4,350	8,981	3,068
Delinquents:				
Real Estate	4,377	5,554	11,629	3,656
Tangible Personal Property	6	7	16	19
Franchise Taxes	512	824	1,362	
Total Credits	11,046	14,407	29,325	9,050
Taxes Collected	233,253	297,458	616,998	185,328
Less: Commissions *	10,201	12,364	24,680	8,164
Taxes Due	223,052	285,094	592,318	177,164
Taxes Paid	220,611	281,193	585,155	177,461
Due Districts or (Refunds Due Sheriff) as of		**		
Completion of Audit	\$ 2,441	\$ 3,901	\$ 7,163	\$ (297)

\* And \*\* See Next Page

The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
SHERIFF'S SETTLEMENT - 2008 TAXES  
For The Period October 1, 2008 Through April 24, 2009  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	594,726
4% on	\$	728,311

\*\* Special Taxing Districts:

Ambulance District	\$	1,309
Health District		597
Extension District		1,178
Soil Conservation District		301
Mayfield Creek Watershed District		<u>516</u>
Due Districts	\$	<u><u>3,901</u></u>

The accompanying notes are an integral part of this financial statement.

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENT

April 24, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Carlisle County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 24, 2009  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Carlisle County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 24, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 29, 2008 through April 24, 2009.

B. Clay Reserves

The tangible property tax assessments on clay reserves were levied as of January 1, 2008. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 12, 2008 through April 24, 2009.

C. Franchise Taxes

The franchise tax assessments were levied as of January 1, 2008. Franchise taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was July 1, 2008 through April 24, 2009.

Note 4. Interest Income

The Carlisle County Sheriff earned \$642 as interest income on 2008 taxes. As of April 24, 2009, the Sheriff owed \$279 in interest to the school district and \$363 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Carlisle County Sheriff collected \$7,348 of 10% add-on fees allowed by KRS 134.430(3). This amount is used to operate the Sheriff's office. As of April 24, 2009, the Sheriff owed \$4,905 in 10% add-on fees to his fee account.

CARLISLE COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 24, 2009  
(Continued)

Note 6. Advertising Costs And Fees

The Carlisle County Sheriff collected \$2,775 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). As of April 24, 2009, the Sheriff owed \$2,430 in advertising costs and advertising fees to his fee account.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts

The Sheriff deposited unrefundable duplicate payments and unexplained receipts in an interest-bearing account. The Sheriff's escrowed amounts were as follows:

2006	\$1,131
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KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned and abandoned funds are required to be sent to the Kentucky State Treasurer required to be sent to the Kentucky State Treasurer by KRS 393.110. The Sheriff should sent a written report to the Treasury Department and submit \$1,131 to the Kentucky State Treasurer in accordance with KRS 393.110.

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

For The Period October 1, 2008 Through April 24, 2009

Assets

Cash in Bank ( All Tax Accounts)	\$ 162,986	
Deposits in Transit	41,783	
Receivables	8,643	
Total Cash in Bank		\$ 213,412

Receivables Due:

Returned Checks - 2007	662	
Returned Checks - 2008	578	
Franchise Commissions - 2007	868	
Repayment Franchise for Loan	7,500	
Miscellaneous Receivable	110	
Taxing Districts-		
State - Property	297	
County - Franchise	238	
School - Franchise	581	
Ambulance - Franchise	111	
Health	47	
Extension	242	
Soil Conservation	3	
Watershed	8	
	<u>11,245</u>	

Total Assets		\$ 224,657
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Liabilities

Paid Obligations-

Outstanding Checks	19,723
Paid Liabilities	<u>168,782</u>

Total Paid Obligations	188,505
------------------------	---------

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS  
For The Period October 1, 2008 Through April 24, 2009  
(Continued)

Liabilities (Continued)

Unpaid Obligations-

Taxing Districts-

County - 2007	\$	238	
County		2,440	
School - 2007		1,346	
School		7,164	
Ambulance - 2007		397	
Ambulance		1,309	
Health - 2007		47	
Health		596	
Extension - 2007		242	
Extension		1,179	
Soil Conservation - 2007		3	
Soil Conservation		301	
Watershed - 2007		9	
Watershed		516	
Repay Franchise Account		7,500	
Interest Due - 2007		37	
Interest Due Fee Account		362	
Interest Due School		279	
Telecommunication Commissions - 2007		1,820	
Telecommunication Commissions		1,062	
Advertising Fees - 2007		337	
Advertising Fees and 10% Add-On Fees		7,335	
Commissions Due - 2007		376	
Comissions Due		4,791	
			\$ 39,686

Total Liabilities \$ 228,191

Total Fund Deficit \$ (3,534)

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Greg Terry, Carlisle County Judge/Executive  
Honorable Steve McChristian, Carlisle County Sheriff  
Members of the Carlisle County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Carlisle County Sheriff's Settlement - 2008 Taxes for the period October 1, 2008 through April 24, 2009, and have issued our report thereon dated April 15, 2010. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Carlisle County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carlisle County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carlisle County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations identified as 2008-01, 2008-02, 2008-05, 2008-06, and 2008-07 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above as items 2008-06 and 2008-07 to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carlisle County Sheriff's Settlement - 2008 Taxes for the period October 1, 2008 through April 24, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations identified as items 2008-02, 2008-03, 2008-04, and 2008-05.

The Carlisle County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Carlisle County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

April 15, 2010

## COMMENTS AND RECOMMENDATIONS



CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Period October 1, 2008 Through April 24, 2009

FINANCIAL STATEMENT FINDINGS:

2008-01     The Carlisle County Sheriff Has A \$3,534 Deficit In The Tax Account

The Carlisle County Sheriff has a fund deficit of \$3,534 in his official tax account. The Carlisle County Sheriff should settle his 2008 tax year by collecting receivables due to the tax account, including personal funds of \$3,534, and remitting liabilities due from the tax account according to the schedule of excess of liabilities over assets found on page 8 of this report. The taxing districts rely on the tax collections to provide services, and these services could suffer as a result of not receiving their tax collections. We recommend that, in the future, the Carlisle County Sheriff settle his tax year with each taxing district by comparing total taxes collected to total tax paid for each district. Any amount overpaid the taxing district should be returned to the tax account and any additional amounts due the district should be paid.

*Sheriff Steve McChristian's Response: "No monies are missing from the sheriff's department. All monies in said deficit are what the auditor called a laps in years with using the same tax account and audits from past with funds unknown to distribution and a fire that occurred in Dec. 2007 were big attributes to this with another outside agency doing a previous audit."*

2008-02     The Carlisle County Sheriff Should Make Deposits On A Timely Basis

The Carlisle County Sheriff's Office made deposits, on average, twice a month. KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting procedures, which includes depositing receipts intact on a daily basis into a federally insured financial institution. We recommend that the Carlisle County Sheriff deposit public funds on a daily basis.

*Sheriff Steve McChristian's Response: "All monies in the possession of the Carlisle county sheriff's office have been deposited. This problem has been addressed and the sheriff's office will make more timely deposits."*

2008-03     The Carlisle County Sheriff Should Invest All Tax Collections Into An Interest Bearing Account and Distribute The Interest Earned On A Monthly Basis

KRS 134.140(3)(a) states that "the sheriff, at the direction of the fiscal court, may invest any tax collections held in his possession into an interest bearing account." Also, KRS 134.140(3)(b) states that "at the time of his monthly distribution of taxes to the district board of education, the sheriff shall pay to the board of education that part of his investment earnings for the month which is attributable to the investment of school taxes." The remaining interest should be paid to the sheriff's fee account and used to operate his office. For the 2008 tax year the Carlisle County Sheriff owes the Carlisle County Board of Education \$279 for interest and \$363 to the official fee account for interest. We recommend that the Carlisle County Sheriff deposit all tax collections into an interest bearing account and distribute the interest earned to the board of education and his official fee account on a monthly basis.

CARLISLE COUNTY  
 STEVE MCCHRISTIAN, SHERIFF  
 COMMENTS AND RECOMMENDATIONS  
 For The Period October 1, 2008 Through April 24, 2009  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2008-03    The Carlisle County Sheriff Should Invest All Tax Collections Into An Interest Bearing Account and Distribute The Interest Earned On A Monthly Basis (Continued)

*Sheriff Steve McChristian's Response: "All accounts that can be interest bearing are now interest bearing accounts and the interest is being distributed along with tax collections."*

2008-04    The Carlisle County Sheriff Should Follow The Tax Collection Schedule As Set By The Department Of Revenue

The Carlisle County Sheriff gave discounts to taxpayers after the discount period had expired and also waived penalties and additional fees during the penalty period which resulted in \$5,850 less being collected. According to KRS 134.020, when the tax collection schedule is delayed, through no fault of the taxpayers, the Department of Revenue may institute a revised collection schedule. The revised collection dates shall allow a two percent (2%) discount for all payments made within thirty (30) calendar days of the date the tax bills were mailed. Upon expiration of the time period to pay the tax bill with a discount, the face amount of the tax bill shall be due during the next thirty (30) days. If the time period to pay the face amount has lapsed, a five percent (5%) penalty shall be added to the tax bill for payments made during the next thirty (30) day period. Upon expiration of this time period, a ten percent (10%) penalty shall be added to all tax bills paid thereafter. We recommend that the Carlisle County Sheriff follow the collection schedule as set by the Department of Revenue by not giving discounts outside the discount period and limiting the amount of penalties waived.

*Sheriff Steve McChristian's Response: "Due to the fire the tax schedule was offset for the 2007 and 2008 taxes the tax schedule was off for both years."*

2008-05    The Carlisle County Sheriff Should Prepare Monthly Franchise Tax Reports And Distribute Franchise Tax Collections By The 10<sup>Th</sup> Day Following The Month Of Collection

The Carlisle County Sheriff did not prepare a monthly franchise tax report for August 2008 and therefore more than \$10,000 in franchise collections are still due the taxing districts for the month of August 2008. Also, the Carlisle County Sheriff did not distribute franchise tax collection for January 2009 until May 2009. According to KRS 134.300, the sheriff shall, by the tenth day of each month, or more often if required by the county judge/executive to prevent the sheriff from having funds in his possession in excess of the amount of his bond, report under oath to the county judge/executive the amount of state and county taxes he has collected during the month preceding, together with all fines, forfeitures, or money on any other account that has been received or collected by him for the preceding month. He shall show in this report the amount collected for and belonging to each particular fund for which the revenue or money may be intended, and the disposition of such revenue or money collected by him. The reports shall be filed and recorded in separate books furnished by the county judge/executive for that purpose, and they shall be open for inspection in the office of the county clerk. At the time of making the report to the



CARLISLE COUNTY  
 STEVE MCCHRISTIAN, SHERIFF  
 COMMENTS AND RECOMMENDATIONS  
 For The Period October 1, 2008 Through April 24, 2009  
 (Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2008-05    The Carlisle County Sheriff Should Prepare Monthly Franchise Tax Reports And Distribute Franchise Tax Collections By The 10<sup>Th</sup> Day Following The Month Of Collection

county judge/executive, the sheriff shall pay to the county treasurer, or other officer designated by the fiscal court, all funds belonging to the county that were collected by him during the period covered in the report. He shall take a receipt from the county treasurer for the amount so paid, in duplicate, one (1) duplicate to be retained by the sheriff and the other to be delivered by him to the county judge/executive who shall file it in his office. We recommend that the Carlisle County Sheriff prepare monthly franchise tax reports and distribute tax collection in accordance with KRS 134.300.

*Sheriff Steve McChristian's Response: "The franchise taxes are done by hand and some months we do not have but one and we have compiled them with other months to save time we now have new computer software that we hope to implement the franchise taxes into to make monthly reports."*

2008-06    The Carlisle County Sheriff's Office Has A Lack Of Adequate Segregation Of Duties

During our review of internal controls, the following deficiencies in the control environment over revenues and expenditures were noted:

- The Sheriff's bookkeeper performs all the financial duties in the office including collecting all the money, preparing all the deposits, preparing all the daily collections reports and posting all the transactions to the ledgers.
- The Sheriff's bookkeeper is also responsible for preparing and signing the checks with no second signature required and posting these to the disbursements ledger.
- She also performs the bank reconciliations.

There was no documentation of any oversight or other compensating controls. Therefore, we consider the control deficiencies described above to be significant deficiencies and material weaknesses. The Sheriff should segregate duties over revenues and expenditures or should implement the following compensating controls to limit the severity of these internal control weaknesses.

- The Sheriff should have another deputy periodically prepare the daily deposit and compare it to the daily collection report prepared by the bookkeeper. The deputy should also compare the daily collection report to the receipts ledger. Any differences should be reconciled. This should be documented by signing and dating the bank deposit, daily checkout sheet, and receipts ledger.

CARLISLE COUNTY  
STEVE MCCHRISTIAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period October 1, 2008 Through April 24, 2009  
(Continued)

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2008-06     The Carlisle County Sheriff's Office Has A Lack Of Adequate Segregation Of Duties  
(Continued)

- The Sheriff should compare the monthly tax reports to the receipts and disbursements ledgers for accuracy. Any differences should be reconciled. This should be documented by signing and dating the ledgers and monthly tax reports.
- The Sheriff should compare tax payments to monthly tax reports or other supporting documentation and require dual signatures on all checks, with one being the official. This should be documented by initialing and dating the monthly tax reports.
- The Sheriff should have another deputy prepare the monthly bank reconciliation. Any differences should be reconciled. This should be documented by signing and dating the bank reconciliation and checkbook.

*Sheriff Steve McChristian's Response: "The sheriff's office doesn't have the funding or the manpower to hire a separate officer to segregate the duties of the office."*

2008-07     The Carlisle County Sheriff Should Strengthen Internal Controls Over Financial Reporting

The Carlisle County Sheriff, as an elected official, is responsible for the design and implementation of policies and procedures that will ensure tax collections are properly accounted for and all financial reports are materially stated. Under the current control environment, the Carlisle County Sheriff's annual tax settlement was materially misstated due to the sheriff not compiling with several state regulations. These regulations are designed to increase controls procedures over the recording of receipts and disbursements in order to file an accurate financial report. We recommend the Carlisle County Sheriff strengthen internal controls over the recording of tax collections and financial reporting. Such controls should include agreeing daily collections reports with paid tax bills, agreeing deposits with daily collection reports, making daily deposits, making tax distributions by the 10<sup>th</sup> of the following month, reconciling monthly tax reports with the bank, and preparing a complete and accurate tax settlement. This will also ensure compliance with state regulations.

*Sheriff Steve McChristian's Response: "Due to funding, this sheriff's office does not have the monies to employ separate officers to oversee internal controls."*

